

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6783**

**BILL NUMBER:** HB 1569

**DATE PREPARED:** Jan 16, 1999

**BILL AMENDED:**

**SUBJECT:** Income tax credit for property taxes paid.

**FISCAL ANALYST:** Diane Powers, Bob Sigalow

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**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(117,500,000)	(117,500,000)
State Expenditures			
Net Increase (Decrease)		(117,500,000)	(117,500,000)

**Summary of Legislation:** This bill provides a refundable credit against state adjusted gross income tax for an individual taxpayer if the property taxes paid by the taxpayer during the taxable year exceed an amount equal to 5% of the taxpayer's Indiana adjusted gross income.

**Effective Date:** January 1, 1999 (retroactive).

**Explanation of State Expenditures:** The Department of Revenue (DOR) will have additional administrative expenses associated with revising tax forms, instructions and computer programs to accommodate this new tax credit. These expenses will come from their existing budget. The taxpayer must provide the Department documentation of property taxes paid by the taxpayer during the year.

**Explanation of State Revenues:** This bill provides an income tax credit for property taxes paid by a taxpayer if this amount exceeds 5% of their adjusted gross income. If the tax credit exceeds the taxpayers tax liability they may carry over the credit for up to 15 years or it may be refunded. This credit applies to tax years beginning January 1, 1999 and will result in an annual revenue loss of approximately \$117.5 M beginning in FY 2000.

Using data from the DOR Individual Income Tax Statistics and the Census Bureau, an estimate of the number

of owner-occupied homes and rental units categorized by property tax or rent paid and income was prepared. Using this data, it is estimated that approximately 1,450,000 taxpayers who are homeowners will get an average credit of \$81 for an annual revenue loss of \$117.5 M. It is possible that the amount of revenue loss will decline slightly in years after 1999 if the growth of individual income increases at a greater rate than property taxes. If property taxes increase at a rate greater than individual income, the tax credit may grow and result in a slightly larger loss of revenue.

Individual income tax is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Revenue.

**Local Agencies Affected:**

**Information Sources:** Department of Revenue, Individual Income Tax Statistics; U.S. Bureau of the Census.